

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

Number: **201104047**  
Release Date: 1/28/2011

**Date: November 3, 2010**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

UIL 4945.04-04

**LEGEND**

B = Area  
C = Nation.  
D = selection committee  
E = certification

Dear :

We have considered your request for advance approval of your grant-making program under section 4945 (g)(1), and section 4945(g)(3) of the Internal Revenue Code, dated June 22, 2010.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in Section 509(a).

Your letter indicates that you will operate a scholarship program to provide educational opportunities for deserving and academically successful secondary students and post-secondary students from B, one of the most impoverished regions of C. The scholarship will ensure that children from B, who have the academic potential, but lack financial resources, can attend secondary school and college and ultimately use their education to improve conditions for the community of B.

Over the next three years, it is projected that 900 to 1,500 students will qualify to attend high school in the region of B. It is also anticipated that in any given year, there may be as many as 200 students on the waiting list for the scholarship grant. The actual number of grants awarded will vary depending on the level of funding that you receive each year. You anticipate that you may fund as many as 80 grants in a year, including grants to continuing students.

Provided that scholarship recipients continue to satisfy the scholarship requirements, you will provide grants for each year of secondary school for secondary school recipients and for each year of college or university for post-secondary grantees. You may, at your sole discretion, award a

secondary school grantee an additional scholarship for university or college study upon the grantee's graduation from secondary school.

The amount of each scholarship will depend upon the academic needs of the student, the tuition and fees charged by the academic institution where the student is accepted/enrolled, the number of qualified scholarship recipients identified for the current year, and the funds you have available to provide the scholarships. In some instances where there is evidence of financial need, you may provide the academic institution amounts to cover students' books and supplies, transportation, housing and other expenses related to the students' attendance at the institution. You anticipate that a typical annual scholarship payment will be \$500 per grantee per year for secondary education and \$1,000 per grantee per year for post-secondary education.

#### Eligibility

Any student who resides in B and who could not otherwise afford to pursue his or her education at the secondary or post secondary level is eligible for selection by D.

Your board of directors has developed and provided the following criteria for the selection of scholarship grantees by D. The criteria are designed to identify those students with the greatest need and who, in D's determinations, are likely to use their educations to give back to their local communities, and who will lead their communities by example.

The criteria are:

- Past strong academic performance or evidence of academic promise recognized by former teachers and evidenced by grades, testing performance, and /or teacher recommendations;
- Demonstrated dedication to learning through evidence of consistent past school attendance;
- Teachers, school administrators or D's members' observations of students' potential for leadership in their communities in the form of recommendations; and
- Demonstrated level of financial need and other extenuating circumstances that might prevent a student from otherwise continuing his or her education.

#### Selection.

Selection of the grantees is made by D. D is composed of the principal of the local primary school, the area chief, and key elders who oversee the various villages and hamlets within B. You, as an organization, also have a volunteer representative to assist D in the selection process.

D will work with local teachers and school administrators to identify appropriate candidates in accordance with the criteria stated above. Your volunteers have made, and will continue to make, the school administrators aware of the program so that students and parents in the region will be informed about the grant. Also, since comparable grants have been made by other organizations for over seven years in the area, the students, parents, and school administrators have experience with similar grants. The elders and village leaders also are aware of the grants and have suggested that students request assistance. Because the availability of funding is well-known in the area, the school, including administrators and teachers, also makes application on behalf of students nearing completion of their primary education, who are anticipated to satisfy the criteria for the grant.

In selecting scholarship grantees, D will not discriminate on the basis of race, gender, ethnicity, or religion. D may take into account the accomplishments of potential of applicants, who have

overcome significant obstacles, including the particular obstacle presented by their economic or family circumstances or discriminatory practices that might impede their ability to continue their education.

Once a slate of candidates is identified, D will select the scholarship grantees by consensus vote and will notify the recipients.

Upon completion of the selection, D will submit the selected candidates to you, as well as documentation of the basis for the selection of each candidate, such as information with respect to the financial needs of the students, and certifications such as E.

Your directors, officers or employees, the members of D and their family members will not be eligible to receive scholarship grants (nor will any person who is considered a "disqualified person" will respect to your organization within the meaning of IRC section 4946(a). D will certify that the candidates selected are not spouse, children, grandchildren, great grandchildren or the spouse of children, grandchildren or great grandchildren of D members.

In keeping with local customs and cultures, communication concerning the selection process by D may be oral. If this is the case, such communications will be recorded and certified in writing by a local representative or agent of your organization and retained in your records.

#### Notification

You will notify successful applicants of the scholarship award by letter within 120 days of the selection by D. Your letter, which will be in English, will set out the terms and conditions of receipt of the scholarship. Each scholarship grantee must sign and return a copy of the letter indicating his or her acceptance under the conditions outlined, before scholarship funds will be disbursed to the grantee's academic institution.

Prior to distributing any funds to the grantee's academic institution, you will require the institution to confirm that the grantee has been accepted for admission or is enrolled as a student in good standing.

The terms and conditions of receiving the scholarship are:

- Student grantees must remain enrolled at an academic institution, maintain a grade average of "B" or better, and remain in good standing at their academic institution.
- An interim report and a final report are required from the academic institution. The interim report provides the courses taken and grades received by the scholarship grantee for the past year and certifies that the scholarship grantee is in good standing.
- The final report is submitted upon a grantee's completion of his/her study at an academic institution.

You have established investigation and enforcement procedures designed to satisfy the requirement

of Reg. 53-4945-4(c) (4). You will initiate an investigation if :

- 1) a grantee or the grantee's institution fails to provide the reports due as required within a reasonable time or the report due date;
- 2) a grantee fails to maintain a "B" average or better or is no longer in good standing at the academic institution; or
- 3) You have been notified that the grantee has applied the scholarship funds for purposes other than the support of educational expenses.

You will withhold further payment until you have (as applicable):

- (1) Received all reports;
- (2) Received assurance that the grantee will make every effort to satisfy all requirements of the scholarship program; and/or
- (3) Determined that no part of the awarded funds have been used for improper purposes.

A progress report is submitted each year by the student and by the school to which funds have been distributed. An annual audit is undertaken by a certified public accountant on the funds distributed. Also, pictures and testimonials from the students are collected each year, and there is an annual meeting of all recipients to emphasize the value of education. Your volunteer representatives, who were educated in the U.S, attend the selection committee meetings and interact with the process at least annually.

If you determine that a grantee has not fulfilled the conditions of receiving the scholarship, you will suspend additional scholarship payments to the grantee. If you receive a delinquency report but also receive sufficient assurances from the grantee that all conditions will be satisfied in the future, you may, at your discretion, make further payments to a grantee if the grantee demonstrates to your satisfaction that extraordinary precautions will be taken to continue to satisfy the conditions of the scholarship grants. .

If you determine that any grant funds have been used for improper purpose, you will suspend future scholarship payments to the grantee. You also will take all reasonable and appropriate steps to recover the improperly expended funds and ensure that any other funds disbursed to the grantee are used exclusively for the purposes set forth in the applicable grant agreement. If you recover any misused funds, receive any delinquent reports and receive sufficient assurance from the grantee that future improper diversions will not occur, you may, at your discretion, make further payments to a grantee if you determine that to do so would further your charitable purpose.

You will keep the following records to satisfy the requirements of Trea. Reg. § 53-4945-4(c)(6):

- a. All information provided to you by D on the qualifications of scholarship candidates.
- b. The names, addresses and other contact or identifying information for each selected scholarship grantee;
- c. Any Information on relationships that would cause a scholarship candidate or grantee to be a disqualified person with respect to your organization within the meaning of section 4946(a) of the Code.
- d. All amounts disbursed to each grantee;

- e. The identified goals and purposes for which each amount is awarded under the scholarship program;
- f. A copy of each award letter signed by the recipient grantee;
- g. The interim and final report required; and any measures taken to investigate the misuse of grant funds or to enforce grant terms.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded

to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) and section 4945(g)(3) of the Code. This determination only covers the grant program described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure: Notice 437  
Redacted copy of 6110 letter.